

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input checked="" type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Kalkaska County	County Kalkaska
Fiscal Year End December 31, 2006	Opinion Date May 2, 2007	Date Audit Report Submitted to State June 29, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☒ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) Harris Group, CPAs		Telephone Number 231-946-8930		
Street Address 731 S. Garfield Ave.		City Traverse City	State MI	Zip 49686
Authorizing CPA Signature		Printed Name Ronald G Harris, CPA		License Number 1101024798

KALKASKA COUNTY
REPORT ON FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

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FINANCIAL SECTION



Independent Auditor's Report

Honorable Chairman and Members
of the Board of Commissioners
Kalkaska County
Kalkaska, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Kalkaska County, as of and for the year ended December 31, 2006, which collectively comprise the County's basic financial statements of the County's primary government as listed in the table of contents. These financial statements are the responsibility of Kalkaska County, management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit and the report of other auditors, provides a reasonable basis for our opinion.

The financial statements referred to above include only the primary government of Kalkaska County, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the County's legal entity. The financial statements do not include financial data for the County's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the County's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of Kalkaska County, as of December 31, 2006, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for the primary government of Kalkaska County, as of December 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Kalkaska County
Independent Auditor's Report

The managements discussion and analysis and required budgetary comparison information identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally if inquires of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Kalkaska County's, basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Certified Public Accountants
May 2, 2007

This section of Kalkaska County's annual financial report presents its discussion and analysis of the government's financial performance during the year ending December 31, 2006 and 2005.

Financial Highlights

The assets of Kalkaska County exceed its liabilities at the close of fiscal year 2006, by \$10,394,796. Of this amount \$6,050,042 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.

- At December 31, 2006, the County's governmental funds reported combined ending fund balances of \$4,307,751.
- At December 31, 2006, unreserved fund balance for the General Fund was \$35,991 or .57% of General Fund expenditures.
- Governmental fund revenues and expenditures were \$10,411,619 and \$9,495,081, respectively.
- Total long-term debt in the Governmental Activities was \$-0- at December 31, 2006.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County financial statements. The County basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

GOVERNMENT-WIDE FINANCIAL STATEMENTS. The *government-wide financial statements* are designed to provide readers with a broad overview of the County finances, in a manner similar to a private sector business.

The *statement of net assets* presents information on all of the County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in *net assets* may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement of some items that will only result in cash flows in future fiscal periods (e.g. accrued interest expense).

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the County include legislative, judicial, general government, public safety, public works, health and welfare, and recreation and culture. The business-type activities of the County include delinquent property tax collection and Sportsplex.

The government-wide financial statements include not only the County itself (known as the primary government), but also a legally separate Road Commission unit for which the County is financially accountable. Financial information for the component unit is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 10-11 of this report.

FUND FINANCIAL STATEMENTS. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, used fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

GOVERNMENTAL FUNDS. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The County maintains individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenue, expenditures, and changes in fund balances for the general fund, considered to be the major fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The County adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets for the County's major fund.

The basic governmental fund financial statements can be found on page 12-15 of this report.

PROPRIETARY FUNDS. The County maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for its delinquent taxes and the sportsplex.

The basic proprietary fund financial statements can be found on pages 16-19 of this report.

FIDUCIARY FUNDS. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 20 of this report.

NOTES TO THE FINANCIAL STATEMENT. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21-39 of this report.

Kalkaska County
Management's Discussion and Analysis
December 31, 2006

OTHER INFORMATION. The combining statements referred to earlier in connection with non-major governmental funds are presented following the notes to the financial statement. Combining statements and schedules can be found on pages 43-54 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Kalkaska County, assets exceeded liabilities by \$10,394,796 as of December 31, 2006, compared with \$9,358,655 for the year ended December 31, 2005. A large portion of the County's net assets reflects its investment in capital assets (e.g. land, buildings, vehicles, and equipment); less any related debt used to acquire those assets that are still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The County's net assets increased by \$1,036,141 during the year.

KALKASKA COUNTY
NET ASSETS
DECEMBER 31, 2006 AND 2005

	2006			2005		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 7,093,345	\$ 3,105,854	\$ 10,199,199	\$ 8,383,429	\$ 3,220,270	\$ 11,603,699
Capital assets	3,583,428	5,679,475	9,262,903	3,794,256	5,827,310	9,621,566
Total assets	<u>\$ 10,676,773</u>	<u>\$ 8,785,329</u>	<u>\$ 19,462,102</u>	<u>\$ 12,177,685</u>	<u>\$ 9,047,580</u>	<u>\$ 21,225,265</u>
Long-term liabilities outstanding	\$ 162,073	\$ 5,075,000	\$ 5,237,073	\$ 165,584	\$ 5,275,000	\$ 5,440,584
Other liabilities	2,785,594	1,044,639	3,830,233	5,227,932	1,198,094	6,426,026
Total liabilities	<u>2,947,667</u>	<u>6,119,639</u>	<u>9,067,306</u>	<u>5,393,516</u>	<u>6,473,094</u>	<u>11,866,610</u>
Net assets:						
Invested in capital assets, net of related debt	3,583,428	404,475	3,987,903	3,794,256	377,310	4,171,566
Restricted	356,851	-	356,851	415,977	-	415,977
Unrestricted	<u>3,788,827</u>	<u>2,261,215</u>	<u>6,050,042</u>	<u>2,573,936</u>	<u>2,197,176</u>	<u>4,771,112</u>
Total net assets	<u>7,729,106</u>	<u>2,665,690</u>	<u>10,394,796</u>	<u>6,784,169</u>	<u>2,574,486</u>	<u>9,358,655</u>
Total liabilities and net assets	<u>\$ 10,676,773</u>	<u>\$ 8,785,329</u>	<u>\$ 19,462,102</u>	<u>\$ 12,177,685</u>	<u>\$ 9,047,580</u>	<u>\$ 21,225,265</u>

Kalkaska County
Management's Discussion and Analysis
December 31, 2006

KALKASKA COUNTY
CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

	2006			2005		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Revenues:						
Program revenues:						
Charges for services	\$ 2,467,090	\$ 941,757	\$ 3,408,847	\$ 2,432,466	\$ 625,035	\$ 3,057,501
Operating grants and contributions	1,823,919	-	1,823,919	2,050,684	-	2,050,684
Capital grants and contributions	3,851	-	3,851	8,244	-	8,244
General revenues:						
Property taxes	5,371,494	453,427	5,824,921	5,111,479	443,162	5,554,641
Other	743,898	83,054	826,952	792,856	50,699	843,555
Total revenues	<u>10,410,252</u>	<u>1,478,238</u>	<u>11,888,490</u>	<u>10,395,729</u>	<u>1,118,896</u>	<u>11,514,625</u>
Expenses:						
Governmental activities:						
Legislative	148,710	-	148,710	116,409	-	116,409
Judicial	1,223,362	-	1,223,362	1,283,570	-	1,283,570
General government	1,919,922	-	1,919,922	1,943,912	-	1,943,912
Public safety	3,689,946	-	3,689,946	3,586,993	-	3,586,993
Public works	96,692	-	96,692	104,683	-	104,683
Health and welfare	1,774,841	-	1,774,841	1,764,904	-	1,764,904
Recreation and culture	354,541	970,704	1,325,245	323,037	934,900	1,257,937
Other	493,017	-	493,017	534,957	-	534,957
Delinquent property tax	-	180,614	180,614	-	83,234	83,234
Total expenses	<u>9,701,031</u>	<u>1,151,318</u>	<u>10,852,349</u>	<u>9,658,465</u>	<u>1,018,134</u>	<u>10,676,599</u>
Increase in net assets before transfers	<u>709,221</u>	<u>326,920</u>	<u>1,036,141</u>	<u>737,264</u>	<u>100,762</u>	<u>838,026</u>
Transfers in (out)	<u>235,716</u>	<u>(235,716)</u>	<u>-</u>	<u>263,500</u>	<u>(263,500)</u>	<u>-</u>
Increase (decrease) in net assets	944,937	91,204	1,036,141	1,000,764	(162,738)	838,026
Net assets, beginning	<u>6,784,169</u>	<u>2,574,486</u>	<u>9,358,655</u>	<u>5,783,405</u>	<u>2,737,224</u>	<u>8,520,629</u>
Net assets, ending	<u>\$ 7,729,106</u>	<u>\$ 2,665,690</u>	<u>\$ 10,394,796</u>	<u>\$ 6,784,169</u>	<u>\$ 2,574,486</u>	<u>\$ 9,358,655</u>

The primary reason for the increase in net assets was the change in funding for state revenue sharing as directed by the State of Michigan. The County recorded \$1,122,838 of additional tax revenue in 2006 to fund the revenue sharing reserve fund. The County is shifting its tax collection to summer from winter; this shift will be completed in 2007. This shift created an increase in net assets of \$896,140.

Financial Analysis of the Government's Funds

As noted earlier, Kalkaska County uses fund accounting to insure and demonstrate compliance with finance-related requirements.

Government funds. The focus of Kalkaska County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing Kalkaska County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of December 31, 2006, Kalkaska County's governmental funds reported combined ending balances of \$4,307,751. Approximately 92% of this total constitutes unreserved fund balance, which is available for spending at Kalkaska County's discretion. The remainder of the fund balance is reserved for specific commitments.

The general fund is the chief operating fund of Kalkaska County. As of December 31, 2006, unreserved fund balance of the general fund was \$35,991.

The fund balance of Kalkaska County's general fund increased by \$27,885 during the current fiscal year.

Proprietary funds. Kalkaska County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the proprietary funds at December 31, 2006 were \$2,665,690. With a majority of the net assets in the Tax Payment Fund of \$2,504,700.

General Fund Budgetary Highlights

Significant differences between the original budget and the final amended budget of the major funds can be briefly summarized as follows:

Revenue:

Personal property taxes were increased by	\$28,000
Other revenue was increased by	\$28,000
Transfer in from Other Funds was increased by	\$100,000

Expense:

46 th Circuit Court was increased by	\$104,350
Friend of the Court was increased by	\$37,305
Marine was increased by	\$25,700
Jail meals was increased by	\$40,000
Transfer to Child Care was increased by	\$70,000
Transfer Out to Other Funds was increased by	\$130,000

Kalkaska County
Management's Discussion and Analysis
December 31, 2006

Capital Asset and Debt Administration

Capital assets. Kalkaska County's investment in capital assets for its governmental and business type activities as of December 31, 2006, amount to \$9,262,903 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings, vehicles, and machinery and equipment.

Major capital asset events during the current fiscal year included the following:

1.	Police Vehicles	\$48,911
2.	Upgrade 911 Radio System	\$17,000
3.	Marine boat, motor and trailer	\$14,000
4.	In-vehicle video system	\$8,580
5.	Image filing system	\$8,135

KALKASKA COUNTY
CAPITAL ASSETS (net of accumulated depreciation)
DECEMBER 31, 2006

	Governmental Activities	Business-type Activities	Total
Land	\$ 281,327	\$ -	\$ 281,327
Buildings	2,487,845	5,642,511	8,130,356
Land Improvements	122,070	-	122,070
Machinery and equipment	692,186	36,964	729,150
	<u>\$ 3,583,428</u>	<u>\$ 5,679,475</u>	<u>\$ 9,262,903</u>

Long-term debt. At December 31, 2006, Kalkaska County had total bonded debt outstanding of \$5,275,000.

KALKASKA COUNTY
OUTSTANDING DEBT
DECEMBER 31, 2006

	Governmental Activities	Business-type Activities	Total
General obligation	<u>\$ -</u>	<u>\$ 5,275,000</u>	<u>\$ 5,275,000</u>

Kalkaska County's total debt decreased by \$175,000 during the year ended December 31, 2006.

Economic Factors and Next Years Budgets and Rates

- Taxable value of property taxes increased in 2007 but at a slower growth rate.
- The increase in the cost of energy: heating, electric and gasoline
- The increase in the cost of fringe benefits: health insurance and retirement costs
- The County anticipates the slow economic growth to continue into 2007.

All of these factors were considered in preparing Kalkaska County's budget for the 2007 fiscal year.

Request for Information

This financial report is designed to provide a general overview of the County finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be referred to the Kalkaska County Controller, 605 N Birch Street, Kalkaska, MI 49646.

KALKASKA COUNTY
STATEMENT OF NET ASSETS
DECEMBER 31, 2006

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 3,260,923	\$ 1,187,802	\$ 4,448,725
Receivables:			
Taxes	1,753,941	1,336,548	3,090,489
Accounts	1,018,367	5,997	1,024,364
Interest	12,192	14,121	26,313
Due from State	226,893	-	226,893
Due from other government units	107,799	-	107,799
Due from other funds	571,822	556,142	1,127,964
Inventories	-	2,281	2,281
Prepaid expenses	141,408	2,963	144,371
Capital assets (net of accumulated depreciation)			
Land	281,327	-	281,327
Other capital assets	3,302,101	5,679,475	8,981,576
TOTAL ASSETS	\$ 10,676,773	\$ 8,785,329	\$ 19,462,102
LIABILITIES:			
Accounts payable	\$ 183,109	\$ 41,607	\$ 224,716
Checks written in excess of deposits	32,489	-	32,489
Current portion of bonds and interest payable	-	259,044	259,044
Accrued liabilities	87,678	4,046	91,724
Accrued sick and vacation payable	162,073	-	162,073
Due to other governmental units	81,764	-	81,764
Due to other funds	758,642	369,322	1,127,964
Deferred revenues	1,227,912	370,620	1,598,532
Other liabilities	414,000	-	414,000
Bonds payable		5,075,000	5,075,000
TOTAL LIABILITIES	2,947,667	6,119,639	9,067,306
NET ASSETS:			
Invested in capital assets, net of related debt	3,583,428	404,475	3,987,903
Fund balances:			
Reserved	356,851	-	356,851
Unreserved	3,788,827	2,261,215	6,050,042
TOTAL FUND EQUITY	7,729,106	2,665,690	10,394,796
TOTAL LIABILITIES & FUND EQUITY	\$ 10,676,773	\$ 8,785,329	\$ 19,462,102

The accompanying notes are an integral part of these statements.

KALKASKA COUNTY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2006

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
Legislative	\$ 148,710	\$ -	\$ -	\$ -
Judicial	1,223,362	609,311	536,003	-
General Government	1,919,922	417,080	51,993	-
Public Safety	3,689,946	1,048,673	469,662	3,831
Public Works	96,692	-	-	-
Health and Welfare	1,774,841	259,776	750,797	20
Recreation and culture	354,541	132,250	15,464	-
Other	493,017	-	-	-
Total governmental activities	9,701,031	2,467,090	1,823,919	3,851
Business-type activities:				
Tax payment	180,614	661,458	-	-
Sportsplex	970,704	280,299	-	-
Total business-type activities	1,151,318	941,757	-	-
Total primary government	<u>\$ 10,852,349</u>	<u>\$ 3,408,847</u>	<u>\$ 1,823,919</u>	<u>\$ 3,851</u>

General Revenues:

Property Taxes
State Shared Revenue
Unrestricted investment earnings
Rents
Miscellaneous revenues
Loss on disposal of fixed assets
Transfers

Total general revenues and transfers

Change in net assets

Net assets – beginning

Net assets – ending

The accompanying notes are an integral part of these statements.

Primary Government

Governmental Activities	Business-type Activities	Total
\$ (148,710)	\$ -	\$ (148,710)
(78,048)	-	(78,048)
(1,450,849)	-	(1,450,849)
(2,167,780)	-	(2,167,780)
(96,692)	-	(96,692)
(764,248)	-	(764,248)
(206,827)	-	(206,827)
(493,017)	-	(493,017)
(5,406,171)	-	(5,406,171)
-	480,844	480,844
-	(690,405)	(690,405)
-	(209,561)	(209,561)
<u>\$ (5,406,171)</u>	<u>\$ (209,561)</u>	<u>\$ (5,615,732)</u>
5,371,494	453,427	5,824,921
340,290	-	340,290
149,261	65,785	215,046
160,460	-	160,460
94,380	17,269	111,649
(493)	-	(493)
235,716	(235,716)	-
6,351,108	300,765	6,651,873
944,937	91,204	1,036,141
6,784,169	2,574,486	9,358,655
<u>\$ 7,729,106</u>	<u>\$ 2,665,690</u>	<u>\$ 10,394,796</u>

**KALKASKA COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2006**

	General	Housing Fund	Revenue Sharing Reserve Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash	\$ -	\$ -	\$ 1,613,991	\$ 1,646,932	\$ 3,260,923
Receivables:					
Taxes	299,742	-	1,122,838	331,361	1,753,941
Accounts	49,252	896,551	-	72,564	1,018,367
Interest	5,224	-	6,831	137	12,192
Due from State	139,534	25,383	-	61,976	226,893
Due from other government units	80,794	-	-	27,005	107,799
Due from other funds	571,822	-	-	-	571,822
Prepaid expenses	104,957	-	-	36,451	141,408
	<u>\$ 1,251,325</u>	<u>\$ 921,934</u>	<u>\$ 2,743,660</u>	<u>\$ 2,176,426</u>	<u>\$ 7,093,345</u>
LIABILITIES & FUND EQUITY					
LIABILITIES:					
Accounts payable	\$ 123,803	\$ 8,188	\$ -	\$ 51,118	\$ 183,109
Checks written in excess of deposits	1,341	2,160	-	28,988	32,489
Accrued liabilities	71,284	-	-	16,394	87,678
Due to other funds	556,142	-	-	202,500	758,642
Due to other governmental units	48,764	-	-	33,000	81,764
Other liabilities	414,000	-	-	-	414,000
Deferred revenues	-	896,551	-	331,361	1,227,912
TOTAL LIABILITIES	<u>1,215,334</u>	<u>906,899</u>	<u>-</u>	<u>663,361</u>	<u>2,785,594</u>
FUND EQUITY:					
Fund balances:					
Reserved	-	15,035	-	341,816	356,851
Unreserved	35,991	-	2,743,660	1,171,249	3,950,900
TOTAL FUND EQUITY	<u>35,991</u>	<u>15,035</u>	<u>2,743,660</u>	<u>1,513,065</u>	<u>4,307,751</u>
	<u>\$ 1,251,325</u>	<u>\$ 921,934</u>	<u>\$ 2,743,660</u>	<u>\$ 2,176,426</u>	<u>\$ 7,093,345</u>

The accompanying notes are an integral part of these statements.

KALKASKA COUNTY
RECONCILIATION OF TOTAL GOVERNMENT FUND BALANCE
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2006

Amounts reported for governmental activities in the statement of net assets are different because:

Total Governmental Fund Balances	\$ 4,307,751
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:	
Capital assets	9,608,864
Accumulated depreciation	(6,025,436)
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
Compensated absences payable	<u>(162,073)</u>
Net Assets of Governmental Activities	<u>\$ 7,729,106</u>

The accompanying notes are an integral part of these statements.

KALKASKA COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	General	Housing Fund	Revenue Sharing Reserve Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:					
Taxes	\$ 3,771,827	\$ -	\$ 1,122,838	\$ 476,829	\$ 5,371,494
Licenses and permits	51,873	-	-	329,589	381,462
Federal grants	213,819	95,847	-	162,537	472,203
State grants	933,277	-	-	731,753	1,665,030
Other governmental revenue	-	-	-	120,303	120,303
Charges for services	952,994	-	-	721,695	1,674,689
Fines and forfeits	1,550	-	-	173,039	174,589
Interest earned	79,924	334	59,022	9,981	149,261
Rents received	111,537	-	-	48,923	160,460
Other	126,170	30,190	-	85,768	242,128
TOTAL REVENUES	6,242,971	126,371	1,181,860	2,860,417	10,411,619
EXPENDITURES:					
Current:					
Legislative	148,710	-	-	-	148,710
Judicial	1,156,761	-	-	38,773	1,195,534
General government	1,653,598	-	-	80,590	1,734,188
Public safety	2,640,651	-	-	1,054,470	3,695,121
Public works	96,692	-	-	-	96,692
Health and welfare	396,011	144,153	-	1,243,200	1,783,364
Recreation & cultural	-	-	-	348,455	348,455
Other	207,297	-	285,720	-	493,017
TOTAL EXPENDITURES	6,299,720	144,153	285,720	2,765,488	9,495,081
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(56,749)	(17,782)	896,140	94,929	916,538

	General	Housing Fund	Revenue Sharing Reserve Fund	Other Governmental Funds	Total Governmental Funds
OTHER FINANCING SOURCES (USES):					
Operating transfers in	676,773	-	-	354,511	1,031,284
Operating transfers (out)	(592,139)	-	-	(203,429)	(795,568)
TOTAL OTHER FINANCING SOURCES (USES)	84,634	-	-	151,082	235,716
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	27,885	(17,782)	896,140	246,011	1,152,254
FUND BALANCE, beginning	8,106	32,817	1,847,520	1,267,054	3,155,497
FUND BALANCE, ending	<u>\$ 35,991</u>	<u>\$ 15,035</u>	<u>\$ 2,743,660</u>	<u>\$ 1,513,065</u>	<u>\$ 4,307,751</u>

The accompanying notes are an integral part of these statements.

KALKASKA COUNTY
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2006

Amounts reported for governmental activities in the statement of net assets are different because:

Net change in fund balance – total governmental funds	\$ 1,152,254
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay recorded as a capital expense	153,957
Depreciation recorded as an expense	(363,418)
Adjusting revenue for basis of capital assets sold	(1,367)
In the Statement of Activities, certain vacation and sick time benefits are measured by amounts earned during the year. In the Governmental funds, however, expenditures for these items are measured by essentially the amounts actually paid. The current year adjustment included in the statement of activities is:	
	<u>3,511</u>
Change in net assets of governmental activities	<u>\$ 944,937</u>

The accompanying notes are an integral part of these statements.

KALKASKA COUNTY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2006

			Total (Memorandum Only)
	Tax Payment	Sportsplex	
ASSETS			
Cash	\$ 936,409	\$ 251,393	\$ 1,187,802
Receivables:			
Taxes	997,299	339,249	1,336,548
Accounts	-	5,997	5,997
Interest	14,121	-	14,121
Due from other funds	556,142	-	556,142
Inventories	-	2,281	2,281
Prepaid expenses	729	2,234	2,963
Buildings & improvements	-	6,609,692	6,609,692
Machinery & equipment	-	230,885	230,885
Accumulated depreciation	-	(1,161,102)	(1,161,102)
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 2,504,700</u>	<u>\$ 6,280,629</u>	<u>\$ 8,785,329</u>
LIABILITIES & FUND EQUITY			
Liabilities:			
Accounts payable	\$ -	\$ 41,607	\$ 41,607
Accrued expenses	-	4,046	4,046
Accrued interest payable	-	59,044	59,044
Due to other funds	-	369,322	369,322
Bonds payable	-	5,275,000	5,275,000
Deferred revenue	-	370,620	370,620
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>-</u>	<u>6,119,639</u>	<u>6,119,639</u>
Fund Equity:			
Investment in capital assets, net of related debt	-	404,475	404,475
Retained earnings:			
Unreserved	2,504,700	(243,485)	2,261,215
	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND EQUITY	<u>2,504,700</u>	<u>160,990</u>	<u>2,665,690</u>
TOTAL LIABILITIES & FUND EQUITY	<u>\$ 2,504,700</u>	<u>\$ 6,280,629</u>	<u>\$ 8,785,329</u>

The accompanying notes are an integral part of these statements.

KALKASKA COUNTY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Tax Payment</u>	<u>Sportsplex</u>	<u>Total (Memorandum Only)</u>
OPERATING REVENUES:			
Charges for services	\$ 165,025	\$ 280,299	\$ 445,324
Interest and penalties on taxes	<u>496,433</u>	<u>-</u>	<u>496,433</u>
 TOTAL OPERATING REVENUES	 <u>661,458</u>	 <u>280,299</u>	 <u>941,757</u>
OPERATING EXPENSES:			
Salary expense	-	181,608	181,608
Fringe benefit expense	-	31,331	31,331
Other	96,894	362,117	459,011
Depreciation	<u>-</u>	<u>156,548</u>	<u>156,548</u>
 TOTAL OPERATING EXPENSES	 <u>96,894</u>	 <u>731,604</u>	 <u>828,498</u>
 OPERATING INCOME (LOSS)	 <u>564,564</u>	 <u>(451,305)</u>	 <u>113,259</u>
NON-OPERATING REVENUES (EXPENSES):			
Taxes	-	453,427	453,427
Interest income	65,706	79	65,785
Interest expense	(83,720)	(239,100)	(322,820)
Other	<u>4,249</u>	<u>13,020</u>	<u>17,269</u>
 TOTAL NON-OPERATING REVENUES (EXPENSES)	 <u>(13,765)</u>	 <u>227,426</u>	 <u>213,661</u>
TRANSFERS			
Transfers from other funds	342,758	277,784	620,542
Transfers to other funds	<u>(856,258)</u>	<u>-</u>	<u>(856,258)</u>
 TOTAL TRANSFERS	 <u>(513,500)</u>	 <u>277,784</u>	 <u>(235,716)</u>
 NET INCOME (LOSS)	 37,299	 53,905	 91,204
 RETAINED EARNINGS, beginning	 <u>2,467,401</u>	 <u>107,085</u>	 <u>2,574,486</u>
 RETAINED EARNINGS, ending	 <u><u>\$ 2,504,700</u></u>	 <u><u>\$ 160,990</u></u>	 <u><u>\$ 2,665,690</u></u>

The accompanying notes are an integral part of these statements.

KALKASKA COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	Tax Payment	Sportsplex	Total (Memorandum Only)
Cash Flow From Operating Activities:			
Cash received from customers	\$ 51,182	\$ 284,617	\$ 335,799
Cash payments for goods and services	(146,937)	(351,267)	(498,204)
Cash received from penalties and interest on delinquent taxes	496,433	-	496,433
Cash payments to employees for services/fringe benefits	<u>-</u>	<u>(212,144)</u>	<u>(212,144)</u>
Net Cash Provided By (Used In) Operating Activities	<u>400,678</u>	<u>(278,794)</u>	<u>121,884</u>
Cash Flows From Non-capital Financing Activities:			
Local tax levy received	-	453,427	453,427
Payments received (paid) to other funds	22,500	15,680	38,180
Transfer in (out)	<u>(513,500)</u>	<u>277,784</u>	<u>(235,716)</u>
Net Cash Provided By Noncapital Financing Activities	<u>(491,000)</u>	<u>746,891</u>	<u>255,891</u>
Cash Flows From Capital And Related Financing Activities:			
Acquisition of capital assets	-	(8,713)	(8,713)
Principal paid on bonds	-	(175,000)	(175,000)
Interest paid on bonds	<u>(83,720)</u>	<u>(241,725)</u>	<u>(325,445)</u>
Net Cash Provided By (Used In) Capital and Related Financing Activities	<u>(83,720)</u>	<u>(425,438)</u>	<u>(509,158)</u>
Cash Flows From Investing Activities:			
Interest on investments	<u>55,834</u>	<u>13,099</u>	<u>68,933</u>
NET INCREASE IN CASH	(118,208)	55,758	(62,450)
CASH AND CASH EQUIVALENTS, beginning of year	<u>1,054,617</u>	<u>195,635</u>	<u>1,250,252</u>
CASH AND CASH EQUIVALENTS, ending of year	<u><u>\$ 936,409</u></u>	<u><u>\$ 251,393</u></u>	<u><u>\$ 1,187,802</u></u>

The accompanying notes are an integral part of these statements.

KALKASKA COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)

	<u>Tax Payment</u>	<u>Sportsplex</u>	<u>Total (Memorandum Only)</u>
Reconciliation Of Net Operating Income			
To Net Cash Provided By Operating			
Activities:			
Net operating income (loss)	<u>\$ 564,564</u>	<u>\$ (451,305)</u>	<u>\$ 113,259</u>
Adjustments To Reconcile Net Operating			
Income (Loss) To Net Cash Provided			
By Operating Activities:			
Depreciation	-	156,548	156,548
(Increase) decrease in:			
Receivables	(73,355)	(3,877)	(77,232)
Prepaid expenses	73	(2,699)	(2,626)
Increase (decrease) in:			
Accounts payable	(50,116)	13,549	(36,567)
Accrued liabilities	-	795	795
Deferred revenue	<u>(40,488)</u>	<u>8,195</u>	<u>(32,293)</u>
Total adjustments	<u>(163,886)</u>	<u>172,511</u>	<u>8,625</u>
Net Cash Provided By (Used In)			
Operating Activities	<u><u>\$ 400,678</u></u>	<u><u>\$ (278,794)</u></u>	<u><u>\$ 121,884</u></u>

The accompanying notes are an integral part of these statements.

KALKASKA COUNTY
STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
DECEMBER 31, 2006

ASSETS

Cash	\$ 739,390
	<hr/>
TOTAL ASSETS	\$ 739,390
	<hr/> <hr/>

LIABILITIES

Due to other government units	\$ 163,261
Undistributed collections	476,779
Other liabilities	99,350
	<hr/>
TOTAL LIABILITIES	\$ 739,390
	<hr/> <hr/>

The accompanying notes are an integral part of these statements.

KALKASKA COUNTY
NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the County conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the County.

DESCRIPTION OF COUNTY OPERATIONS AND FUND TYPES

The County of was organized in 1871 and covers an area of approximately 576 square miles with the County seat located in Kalkaska, Michigan. The County operates under an elected Board of Commissioners of seven (7) members and provides services, assistance and care to its more than 16,500 residents, primarily from the operations of its General Fund and Special Revenue Funds. The County's services, assistance and care includes the (1) general county departments, boards and commissions; (2) court system administration; (3) law enforcement and corrections; (4) assistance and/or institutional care to the aged, needy, wards of the court and neglected children, public and mental health recipients; (5) libraries, and (6) recreation.

The financial statements of the County have been prepared in conformity with generally accepted accounting principles as applies to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the County's accounting policies are described below.

REPORTING ENTITY

The accompanying financial statements present the only the primary government of the County and entities for which the government is considered to be financially accountable. Discretely presented component units have not been included in the financial presentation.

The Governmental Accounting Standards Board (GASB) Statement No. 14 "The Financial Reporting Entity" and the State of Michigan Department of Treasury established criteria for governmental organizations to be considered to be part of the County for financial reporting purposes. The criteria included oversight responsibility, fiscal dependency and whether the statements would be misleading if data were not included.

The financial statements of certain governmental organizations are not included in the financial statements of the County: (1) Education services which are provided to citizens through the several local school districts that are separate governmental entities. The Transportation Authority is considered a separate reporting entity and therefore not included in this report.

DISCRETELY PRESENTED COMPONENT UNITS

The Kalkaska County Road Commission is considered a component unit of the County. It's financial statement is discretely presented in the County combined financial statements as required by accounting principles generally accepted in the United States of America revised under GASB 14. Due to circumstances outside of the control of the primary government, the Road Commission's financial statements have not been presented. Complete financial statements of the Road Commission Component Unit can be obtained directly from the Road Commission office at 1049 Island Lake Rd., Kalkaska, Michigan 49646.

KALKASKA COUNTY
NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

JOINTLY GOVERNED ORGANIZATIONS

The North Country Community Mental Health Authority consists of the counties of Otsego, Emmet, Charlevoix, Cheboygan, and Kalkaska. Financial records for this Authority are maintained by the mental health authority and are audited separately from any of the member counties. A copy of a financial statement and audit report would be available at the Authority office located at 1 MacDonald Drive, Suite A, Petoskey, Michigan 49770.

The funding formula for the Community Mental Health operations is in accordance with an agreement approved by all of the member counties and the local contribution was frozen, by statute, at the amount contributed in year 2002. For 2006 Kalkaska County's local match was \$61,875. Their financial statements are not required, under GASB No. 14, to be included in the Kalkaska County report.

The 46th Judicial Trial Court has responsibilities for Kalkaska, Crawford, and Otsego Counties. The funding formula is based upon the previous year's caseload. For the year ended December 31, 2006 the funding was as follows:

Crawford County	29%
Kalkaska County	27%
Otsego County	44%

For the year ended December 31, 2006 each County is responsible for the court budget as it related to its own court expenses. The remaining expenses that are shared by Kalkaska, Crawford and Otsego Counties are incurred by and paid by Crawford County with the two other counties appropriating funds based on the funding formula.

Kalkaska County appropriated \$643,942 for the 46th Circuit Trial court in 2006.

Kalkaska County along with Crawford County have been named defendants in litigation involving a funding dispute with the 46th Judicial Trial Court. The dispute arose because the Trial Court wanted certain retirement benefits including pension and health insurance for the judges and their spouses along with the court employees and their spouses. Kalkaska and Crawford Counties do not agree with the amount of retirement benefits that the Trial court wants to be made available to their employees. Kalkaska County, along with Crawford County, is vigorously defending this lawsuit. The potential cost to Kalkaska County, should the courts prevail, is unknown as of this date, but the amount could be substantial to the taxpayers of the County. A liability for potential attorney fees has been recorded in the general fund based upon billings through December 31, 2006.

KALKASKA COUNTY
NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Indirect expenses are charged based upon a countywide cost allocation plan, which allocates costs based upon the number of full time equivalents, number of transactions, and other pertinent information. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from the goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major enterprise funds are reported as separate columns in the fund financial statements.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. After March 1 of the year for which they are levied, the Delinquent Tax Revolving Fund pays the County for any outstanding taxes as of that date. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Grant revenues are considered to be available when all eligibility requirements imposed by the provider have been met. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Property taxes, intergovernmental revenue, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the County.

KALKASKA COUNTY
NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

The government reports the following major governmental funds:

GENERAL FUND This fund is the County's primary general operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

HOUSING FUND This fund provides housing assistance in the form of low or zero interest loans to low income citizens within the county to provide housing or housing repairs.

REVENUE SHARING RESERVE FUND This fund was established by the Michigan Treasury as a means to smooth funding for governmental units. The County has changed the manner of collecting tax, by shifting them forward. These collections are receipted to this fund as a measure to fund future fiscal periods.

The County reports the following major enterprise funds:

SPORTS COMPLEX FUND – This fund is operating an ice arena/swimming pool facility.

DELINQUENT PROPERTY TAX FUND – This fund is used to pay each local governmental unit, including the County General Fund, the respective amount of taxes not collected as of March 1 of each year. Financing is provided by subsequent collection of delinquent property taxes by the County Treasurer.

Additionally, the County reports the following fund types:

SPECIAL REVENUE FUNDS – These funds are used to account for specific revenues derived primarily from specific sources (other than major capital projects) and related expenditures which are restricted for specific purposes by administrative action or law.

CAPITAL PROJECTS FUNDS – The Capital Projects Funds are used to account for the acquisition or construction of major capital facilities other than those financed by enterprise funds or special assessments.

AGENCY FUNDS – are used to account for assets held on behalf of outside parties, including other governments.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The County has elected not to follow subsequent private-sector guidelines.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes

KALKASKA COUNTY
NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are interest and penalties on delinquent taxes and charges for services provided. The principal operating revenues of the County's internal service funds include the cost of services (including claims), administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

BANK DEPOSITS AND INVESTMENTS – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are state at fair market value.

The County reports its investments in accordance with GASB Statements No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, such as certificates of deposit, and the county intends to hold the investment until maturity.

State statutes authorize the county to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, saving and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or Nation Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which mature not more than 270 days after the date of purchase. The county is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

RECEIVABLES AND PAYABLES – In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

CURRENT PROPERTY TAX LEVY – The County property tax is levied as of December 1 on the state equalized valuation of property located in the County as of the preceding December 31 and attach an enforceable lien on the property. Although the County's 2006 property taxes are levied and collectable on December 1, 2005, it is the County's policy to recognize revenues from the current tax levy in the subsequent year when the proceeds of this levy are budgeted and made available for the financing of County operations. Current property taxes from the December 1 levy, which are received prior to December 31, are normally held in the County's Trust and Agency Fund. It is the County's policy, through its Internal Service 100% Tax Payment Fund, to purchase delinquent real property taxes and special assessments each year to afford 100% collection of the current levy.

KALKASKA COUNTY
NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

The 2005 taxable value of Kalkaska County amounted to \$648,576,320 and the 2006 taxable value was \$680,131,017. The County levied 3.655 mills were levied for County operating purposes and .25 mills for Commission on Aging operations, .125 mills for animal control and recycling, .25 mills for the library and .7314 mills for Debt Service operations on the winter taxable value. The County also levied 3.6374 mills against the 2006 taxable value. In addition, specific taxes are levied under the Industrial Facilities Tax Act and Commercial Forest Reserve Act.

TAXES RECEIVABLE – DELINQUENT – The taxes receivable of \$997,299 which are recorded in the Enterprise 100% Tax Payment Fund, consist of the unpaid delinquent real property taxes which were purchased from all of the taxing units in Kalkaska County by the County's 100% Tax Payment Fund.

INVENTORIES AND PREPAID ITEMS – Inventories consisting of supplies of \$2,281 and prepaid expenses of \$144,371, are recognized using the consumption method (inventories are recorded as expenditures when they are used). Inventories are recorded at cost which approximates market.

CAPITAL ASSETS – Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the activities column in the government-wide financial statements as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

GASB 34 requires major networks and major subsystems of infrastructure assets acquired, donated, constructed, or substantially rehabilitated since fiscal years ending after June 30, 1980 be inventoried and capitalized by the fourth anniversary of the mandated date of adoption of the other provisions of GASB 34. These infrastructure assets are the responsibility of the Kalkaska County Road Commission, and they have reported the infrastructure in their statement of net assets. The Road Commission has retroactively capitalized the major infrastructure assets as of December 31, 2006, as permitted by GASB 34.

PRIMARY GOVERNMENT – Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building Improvements	15 to 30 years
Water and Sewer Lines	50 to 75 years
Roads	10 to 30 years
Other Infrastructure	8 to 50 years
Vehicles	3 to 5 years
Office Equipment	5 to 7 years
Computer Equipment	3 to 7 years

DEFERRED REVENUE – Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period or for resources that have been received, but not yet earned.

KALKASKA COUNTY
NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

LONG-TERM OBLIGATIONS – In the government-wide financial statements and proprietary fund type statements, the long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. For new bond issuances after the implementation of GASB Statement No. 34, material bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt used is reported as other financing sources. Premiums received on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

ACCRUED VACATION AND SICK – In accordance with contracts negotiated with the various employee groups employees have a vested right upon termination to receive compensation for accumulated sick and vacation leave under formulas and conditions specified in the contracts.

ESTIMATES - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

FUND EQUITY – In the fund financial statements, governmental and business-type funds report reservations of fund balance for amounts that are not are legally restricted for use for a specific purpose.

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary information

Annual operating budgets are adopted by the County Commission for the General and Special Revenue Funds in accordance with Public Act 621 of 1978.

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. During the month of July, budget worksheets, which list their last year's budget along with their expenditures for the last six months, are sent to each department. Each department prepares their budget and returns it to the County Controller. The Controller totals and puts all the budgets in order and then turns the budgets over to the Commissioners. Then, the respective committees, which are each made up of three Commissioners, meet with the various department heads to discuss any changes to their particular budget.
- b. Public hearings are conducted at the County Building to obtain taxpayer comments.
- c. Prior to December 31st, the budget is legally enacted on a departmental (activity) basis through passage of a resolution.
- d. Budget amendments are made by the County Commission as the need arises during the year.

KALKASKA COUNTY
NOTES TO FINANCIAL STATEMENTS

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY - continued

A. Budgetary information - continued

- e. Formal budgetary integration is employed as a management control device during the year for all budgetary funds. Also, all budgets are adopted on a basis consistent with generally accepted accounting principles.
- f. Budget appropriations lapse at year end.
- g. The original budget was amended during the year in compliance with the County procedures and applicable state laws. The budget to actual expenditures in the financial statements represent the final budgetary expenditures as amended by the County Commission.

The budgets for some funds are administered and amended throughout the year as necessary by separate boards or authorities other than the County Commission.

B. Excess of expenditures over appropriations

P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the County's actual expenditures and budget expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the County for these budgetary funds were adopted to the activity level.

During the year ended December 31, 2006, the County incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

<u>Fund</u>	<u>Total Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
General Fund:			
Operating transfer out	\$ 584,360	\$ 592,139	\$ 7,779

KALKASKA COUNTY
NOTES TO FINANCIAL STATEMENTS

NOTE 3: CASH AND INVESTMENTS

The captions on the accompanying balance sheet related to cash and investments are as follows:

	Imprest Cash	Cash/Checking And Savings	Certificates of Deposit	Total
Primary Government				
Governmental Activities	\$ 16,570	\$ 2,126,020	\$ 1,085,844	\$ 3,228,434
Business-type Activities	1,540	303,933	882,329	1,187,802
Agency Funds	-	708,230	31,074	739,304
	<hr/>	<hr/>	<hr/>	<hr/>
Total Primary Government	\$ 18,110	\$ 3,138,183	\$ 1,999,247	\$ 5,155,540
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Interest Rate Risk – The County will minimize interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity. Also, the County will invest operating funds primarily in shorter-term securities, money market funds, or similar investment pools and limiting the average maturity of the portfolio in accordance with its policy.

Credit Risk - State statutes authorize the county to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, saving and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or Nation Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which mature not more than 270 days after the date of purchase. The County is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

Concentration of Credit Risk – With the exception of US Treasury securities and authorized pools, no more than 25 percent of the total investment portfolio will be invested in a single security type or with a single financial institution.

Deposits – At year-end, the carrying amount of the County's deposits was \$5,155,540 and the bank balance of \$5,610,283 was classified as to risk as follows:

Insured	\$ 438,037
Uninsured – Uncollateralized	<hr/> 5,172,246
	<hr/>
Total	<hr/> <hr/> \$ 5,610,283

KALKASKA COUNTY
NOTES TO FINANCIAL STATEMENTS

NOTE 4: RECEIVABLES/DEFERRED REVENUE

Receivables as of year-end for the government's individual major and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Housing Fund	Revenue Sharing Reserve Fund	Other Governmental Funds	Total
Taxes receivable	\$ 299,742	\$ -	\$ 1,122,838	\$ 331,361	\$ 1,753,941
Accounts receivable	49,252	-	-	72,564	121,816
Housing Fund Mortgages	-	896,551	-		896,551
Interest	5,224	-	6,831	137	12,192
Intergovernmental	220,328	25,383	-	88,981	334,692
	<u>\$ 574,546</u>	<u>\$ 921,934</u>	<u>\$ 1,129,669</u>	<u>\$ 493,043</u>	<u>\$ 3,119,192</u>

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Unavailable	Unearned	Total
Delinquent Property Taxes	\$ 331,361	\$ -	\$ 331,361
Housing Fund Mortgages	-	896,551	896,551
	<u>\$ 331,361</u>	<u>\$ 896,551</u>	<u>\$ 1,227,912</u>

KALKASKA COUNTY
NOTES TO FINANCIAL STATEMENTS

NOTE 5: CAPITAL ASSETS

A summary of the changes in the capital assets of the primary government follows:

Primary Government	Balance 01/01/06	Increases	Decreases/ Transfers	Balance 12/31/06
Governmental Activities:				
Capital assets, not being depreciated				
Land	\$ 281,327	\$ -	\$ -	\$ 281,327
Total capital assets not being depreciated	281,327	-	-	281,327
Capital assets, being depreciated				
Buildings	6,389,355	-	-	6,389,355
Land improvements	260,112	-	-	260,112
Machinery & equipment	2,586,569	153,957	62,456	2,678,070
Total capital assets being depreciated	9,236,036	153,957	62,456	9,327,537
Less accumulated depreciation for:				
Buildings	3,732,707	168,803	-	3,901,510
Land improvements	130,161	7,881	-	138,042
Machinery & equipment	1,860,239	186,734	61,089	1,985,884
Total accumulated depreciation	5,723,107	363,418	61,089	6,025,436
Total capital assets, being depreciated, net	3,512,929	(209,461)	(1,367)	3,302,101
Governmental activities capital assets, net	\$ 3,794,256	\$ (209,461)	\$ (1,367)	\$ 3,583,428

A summary of the changes in the capital assets of the business-type activities follows:

Sportsplex	Balance 01/01/06	Increases	Decreases	Balance 12/31/06
Business-type activities:				
Capital assets, being depreciated				
Buildings & improvements	\$ 6,609,692	\$ -	\$ -	\$ 6,609,692
Furniture, fixtures & equipment	222,173	8,712	-	230,885
Total capital assets being depreciated	6,831,865	8,712	-	6,840,577
Less accumulated depreciation for:				
Buildings & improvements	831,577	135,604	-	967,181
Machinery & equipment	172,977	20,944	-	193,921
Total accumulated depreciation	1,004,554	156,548	-	1,161,102
Business-type activities capital assets, net	\$ 5,827,311	\$ (147,836)	\$ -	\$ 5,679,475

KALKASKA COUNTY
NOTES TO FINANCIAL STATEMENTS

NOTE 5: CAPITAL ASSETS - continued

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:	
Judicial	\$ 31,714
General government	207,590
Public Safety	116,228
Recreation and culture	<u>7,886</u>
 Total depreciation expense – governmental activities	 \$ <u>363,418</u>
 Business-type activities:	
Sportsplex	<u>\$ 156,548</u>

KALKASKA COUNTY
NOTES TO FINANCIAL STATEMENTS

NOTE 6: INTERFUND RECEIVABLES, PAYABLE AND TRANSFERS

Following is a description of the basic types of inter-fund transactions and the related accounting policy:

Transactions for services rendered or facilities provided; these transactions are recorded as revenue in the receiving fund and expenditures in the disbursing fund.

Transactions to transfer revenue or contributions from the fund budgeted to receive them to the fund budgeted to expend them; these transactions are recorded as transfers in and transfers out.

Interfund transactions are not eliminated for financial presentation purposes.

The amounts of inter-fund receivables and payables, and long-term advances are as follows:

Fund	Inter-fund/ Advances Receivable	Fund	Inter-fund Advances Payable
General Fund	\$ 571,822	Sportsplex	\$ 369,322
Tax Payment Fund	556,142	County Building Fund	202,500
		General Fund	556,142
	<u>\$ 1,127,964</u>		<u>\$ 1,127,964</u>

Interfund transfers:

	Operating Transfer In	Operating Transfer Out	Total
General fund	\$ 676,773	\$ 592,139	\$ 84,634
Other governmental funds	354,511	203,429	151,082
Tax payment fund	342,758	856,258	(513,500)
Sportsplex	277,784		277,784
	<u>\$ 1,651,826</u>	<u>\$ 1,651,826</u>	<u>\$ -</u>

KALKASKA COUNTY
NOTES TO FINANCIAL STATEMENTS

NOTE 7: LONG-TERM DEBT

Governmental activities – Following is a summary of information concerning the County’s long-term debt:

Outstanding debt description and change in long-term debt:

	Beginning Balance	Additions	Reductions	Ending Balance
Termination benefits	\$ 165,584	\$ -	\$ 3,511	\$ 162,073

Business-type activities - Following is a summary of information concerning the County’s long-term debt:

General obligation debts and other long-term obligations currently outstanding are as follows:

100% Tax Collection fund general obligation notes are issued by the County to purchase delinquent taxes and special assessments excepts taxes on personal property, due and payable to the taxing units in the County.

\$500,000 Series 2006, General Obligation Limited Tax Notes, due June 23, 2006 \$ -

Sports Complex Bonds were issued by the County to provide for acquiring, constructing, furnishing and equipping a new recreational facility/sports complex.

\$6,000,000 1999 General Obligation Unlimited Tax Bonds, due in annual
Installments of \$100,000 to \$500,000 through November 2, 2020; interest at 4.05%
To 6.00%, secured by the full faith and credit of the County. \$ 5,275,000

The annual requirements to amortize long-term obligations outstanding as of December 31, 2006 including interest of \$1,892,513 are as follows:

	Principal amount	Interest Amount	Total
Year ending June 30:			
2007	\$ 200,000	\$ 230,175	\$ 430,175
2008	250,000	219,113	469,113
2009	275,000	208,413	483,413
2010	300,000	196,550	496,550
2011	300,000	184,026	484,026
2012 – 2016	2,000,000	670,624	2,670,624
2017 – 2020	1,950,000	183,612	2,133,612
	<u>\$ 5,275,000</u>	<u>\$ 1,892,513</u>	<u>\$ 7,167,513</u>

KALKASKA COUNTY
NOTES TO FINANCIAL STATEMENTS

NOTE 7: LONG-TERM DEBT - continued

The following is a summary of the changes in liabilities reported in the long-term debt of the business-type activities:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One year</u>
Business-type Activities:					
Bonds payable:					
Tax Payment Fund	\$ -	\$ 700,000	\$ 700,000	\$ -	\$ -
Sportsplex	5,450,000	-	175,000	5,275,000	175,000
Total bonds payable	<u>\$ 5,450,000</u>	<u>\$ 700,000</u>	<u>\$ 875,000</u>	<u>\$ 5,275,000</u>	<u>\$ 175,000</u>

NOTE 8: PENSION PLANS

PRIMARY GOVERNMENT

Plan Description – Kalkaska County participates in a defined benefit retirement plan administered by the Municipal Employee's Retirement System (MERS). The plan covers substantially all full-time employees.

The Municipal Employees Retirement System of Michigan (MERS) is a multiple-employer statewide public employee retirement plan created by the State of Michigan to provide retirement, survivor and disability benefits, on a voluntary basis to the State's local government employees in the most efficient and effective manner possible. As such, MERS is a non-profit entity that has the responsibility of administering the law in accordance with the expressed intent of the Legislature and bears a fiduciary obligation to the State of Michigan, the taxpayers and the public employees who are its beneficiaries.

The passage of HB-5525/Act No. 220, with enactment on May 28, 1996, allowed the members of MERS to vote on and determine if MERS should become an independent public corporation. The vote resulted in approval to become independent of State control and MERS began to operate as an independent public corporation effective August 15, 1996. MERS issues a financial report, available to the public, that includes financial statements and required supplementary information for the system. A copy of the report may be obtained by writing to MERS at 447 N. Canal Road, Lansing, Michigan 48917.

All full time County employees are eligible to participate in the system. Benefits vest after ten years of service. General County employees who retire at or after age 55 with 25 years credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 2.25% percent of the member's 5-year final average compensation. The Sheriff Department participating employees and dispatchers who retire with 25 years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 2.5% of the member's 5-year final average compensation or three year average in the case of command office members. The system also provides death and disability benefits which are established by State Statute.

KALKASKA COUNTY
NOTES TO FINANCIAL STATEMENTS

NOTE 8: PENSION PLANS - continued

Participating General County employees are required to contribute 1.0 percent of their annual salary to the system. The county is required to contribute the remaining amounts necessary to fund the Michigan Municipal Employees retirement System using the actuarial basis specified by statute.

Actuarial Accrued Liability – The actuarial accrued liability was determined as part of an actuarial valuation of the plan as of December 31, 2006. Significant actuarial assumptions used in determining the investment of present and future assets of 8.0%, (a) inflation, and (b) additional projected salary increases of 0.0% to 4.5% per year, depending on age, attributable to seniority/merit and (c) the assumption that benefits will increase 2.5% annually after retirement.

All entries are based on the actuarial methods and assumption that were used in the December 31, 2006 actuarial valuation to determine the annual employer contribution amounts. The entry age normal actuarial method was used to determine the entries at disclosure.

GASB 25 INFORMATION (as of 12/31/06)

Actuarial Accrued Liability:	
Retirees and beneficiaries currently receiving benefits	\$ 4,015,960
Terminated employees not yet receiving benefits	698,553
Non-vested terminated employees	24,363
Current employee:	
Accumulated employee contributions including allocated investment income	358,664
Employer financed	<u>5,867,220</u>
Total actuarial accrued liability	10,964,760
Net Assets Available for Benefits, at actuarial value (Market Value is \$9,962,980)	
	<u>9,825,531</u>
Unfunded (over funded) actuarial accrued liability	<u><u>\$ 1,139,229</u></u>

GASB 27 INFORMATION (as of 12/31/06)

Fiscal year beginning	January 1, 2008
Annual required contribution (ARC)	\$ 356,652
Amortization factor used (under funded liabilities)	0.054719
Amortization factor used (over funded liabilities)	0.119963

KALKASKA COUNTY
NOTES TO FINANCIAL STATEMENTS

NOTE 8: PENSION PLANS - continued

Contributions Required and Contributions Made

MERS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and amortization payment for the fiscal year ended December 31, 2006 were determined using the entry age normal actuarial funding method. Unfunded actuarial accrued liabilities, if any, were amortized as a level percent of payroll over a period of 30 years. The following table provides a schedule of contribution amounts and percentages for recent years.

Aggregate Accrued Liabilities – Comparative Schedule of Funding Progress

	Fiscal year ended December 31:		
	2006	2005	2004
Annual Pension cost	\$ 381,353	\$ 308,777	\$ 342,092
Acturial value of assets	9,825,531	9,003,112	8,404,345
Acturial accrued liability	10,964,760	10,276,120	9,457,993
(Unfunded) / Overfunded AAL	(1,139,229)	(1,273,008)	(1,053,648)
Percent of funded AAL	89.6%	87.6%	88.9%
Covered payroll	2,927,848	2,845,500	3,042,302
UAAL as a % of covered payroll	38.9%	44.7%	34.6%

For actuarial valuation purposes, the actuarial value of assets is determined on the basis of a calculation method that assumes the fund earns the expected rate of return (8%), and includes an adjustment to reflect market value.

Actuarial assumptions for MERS valuations were revised for the 1993, 1997 and 2000 valuations. The funding method was changed to entry age normal for the 1993 valuation.

KALKASKA COUNTY
NOTES TO FINANCIAL STATEMENTS

NOTE 9: POST EMPLOYMENT HEALTH CARE BENEFITS

PRIMARY GOVERNMENT – In addition to pension benefits described in Note 8 the County employment agreement provides for certain post employment health care coverage. To be eligible an employee must have had 15 years of continuous service prior to retirement and the coverage is effective only from age 60 to 65. At age 65 supplemental coverage is provided at the employee cost. The employee only is covered and the premium is payable at the then current rate for coverage in force for the County at that time. The County will pay each retiree a maximum of \$500 per month.

The Sheriff Department agreement provides that with 25 years continuous service medical coverage in effect at their retirement will be continued. There will be no employee co-pay for this coverage. This coverage will remain in effect until the employee is eligible for Medicare at which time group coverage is available for the Medicare supplement paid for totally by the employee. The County will pay each retiree a maximum of \$500 per month. Five employees were eligible for this coverage during 2006 and costs were approximately \$25,054.

NOTE 10: RISK MANAGEMENT

PRIMARY GOVERNMENT - The County is exposed to risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The government manages its risk exposures and provides certain employee benefits through a combination of self-insurance programs, risk management pools and commercial insurance and excess coverage policies. Following is a summary of these self-insurance programs and risk management pool participation.

The county participates in the Michigan Municipal Risk Management Authority (MMRMA) for general and automobile liability, motor vehicle physical damage and property damage coverage. The MMRMA was established in January 1980, pursuant to laws of the State of Michigan that authorize local units of government to jointly exercise any power, privilege or authority which each might exercise separately. The purpose of the authority is to provide cooperative and comprehensive risk financing and risk control services. The MMRMA provides risk management, underwriting, reinsurance, and claim review and processing services for all member governments pursuant to its charter.

The government makes annual contributions to MMRMA based on actuarial studies using historical data and insurance industry statistics. These contributions are paid from the general fund (i.e., the Insurance Fund) using premiums paid into it by other funds of the government. Such contributions as received by MMRMA are allocated between its general and member retention funds. Economic resources in the MMRMA's general fund are expended for reinsurance coverage, claim payments and certain general and administrative costs. The County is a State pool member and has deductibles that differ for each type of coverage.

Employee Benefits-Commercial Insurance Provider-Workers' Compensation

The County has insurance coverage for workers' compensation provided by an independent insurance company licensed in the State of Michigan.

At December 31, 2006, there were no claims that exceeded insurance coverage. The county had no significant reduction in insurance coverage from previous years.

KALKASKA COUNTY
NOTES TO FINANCIAL STATEMENTS

NOTE 11: LITIGATION

In the normal course of its activities, the County is a party to various legal actions and subject to certain asserted claims and assessments. Although actions have been brought, the County has not experienced any additional significant losses or costs. It is the County's opinion that the outcome of any ending actions will not have a material effect on the County's financial position or results of operations.

The County is involved in litigation involving a funding dispute with the 46th Judicial Trial court. The Court wanted certain benefits for their employees and both Kalkaska County and Crawford County disputed the level of benefits the court implemented. This action has created a liability for the County in attorney fees which is being disputed by the County and is currently in litigation.

REQUIRED SUPPLEMENTARY INFORMATION

**KALKASKA COUNTY
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
- BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Original Budget	Final Budget	Actual	Variance with Final Budget - Favorable (Unfavorable)
REVENUES:				
Taxes	\$ 3,743,194	\$ 3,771,194	\$ 3,771,827	\$ 633
Licenses and permits	49,825	49,825	51,873	2,048
Federal grants	232,854	232,854	213,819	(19,035)
State grants	915,995	931,537	933,277	1,740
Charges for services	960,149	960,149	952,994	(7,155)
Fines and forfeits	6,000	6,000	1,550	(4,450)
Interest earned	71,250	71,250	79,924	8,674
Rents	110,160	110,160	111,537	1,377
Other	98,100	126,100	126,170	70
TOTAL REVENUES	6,187,527	6,259,069	6,242,971	(16,098)
EXPENDITURES:				
Current:				
Legislative	124,772	150,212	148,710	1,502
Judicial	1,232,035	1,163,740	1,156,761	6,979
General government	1,658,817	1,668,176	1,653,598	14,578
Public safety	2,585,326	2,666,058	2,640,651	25,407
Public works	111,273	98,403	96,692	1,711
Health and welfare	393,969	401,184	396,011	5,173
Other	308,753	223,709	207,297	16,412
TOTAL EXPENDITURES	6,414,945	6,371,482	6,299,720	71,762
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(227,418)	(112,413)	(56,749)	55,664
OTHER FINANCING SOURCES (USES):				
Operating transfers in	596,773	696,773	676,773	(20,000)
Operating transfers (out)	(369,355)	(584,360)	(592,139)	(7,779)
TOTAL OTHER FINANCING SOURCES (USES)	227,418	112,413	84,634	(27,779)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ -	\$ -	27,885	\$ 27,885
FUND BALANCE, beginning			8,106	
FUND BALANCE, ending			\$ 35,991	

**KALKASKA COUNTY
HOUSING FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
- BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Original Budget	Final Budget	Actual	Variance with Final Budget - Favorable (Unfavorable)
REVENUES:				
Federal grants	\$ 86,000	\$ 119,000	\$ 95,847	\$ (23,153)
Interest and rents	250	250	334	84
Other	30,250	30,750	30,190	(560)
TOTAL REVENUES	116,500	150,000	126,371	(23,629)
EXPENDITURES:				
Current:				
Health and welfare	111,796	150,000	144,153	5,847
TOTAL EXPENDITURES	111,796	150,000	144,153	5,847
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ 4,704	\$ -	(17,782)	\$ (17,782)
FUND BALANCE, beginning			32,817	
FUND BALANCE, ending			\$ 15,035	

KALKASKA COUNTY
REVENUE SHARING RESERVE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
- BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget - Favorable (Unfavorable)
REVENUES:				
Taxes	\$ 1,122,500	\$ 1,122,500	\$ 1,122,838	\$ 338
Interest	30,000	62,500	59,022	(3,478)
 TOTAL REVENUES	 1,152,500	 1,185,000	 1,181,860	 (3,140)
EXPENDITURES:				
Current:				
Other	305,800	305,800	285,720	20,080
 TOTAL EXPENDITURES	 305,800	 305,800	 285,720	 20,080
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ 846,700</u>	<u>\$ 879,200</u>	896,140	<u>\$ 16,940</u>
FUND BALANCE, beginning			<u>1,847,520</u>	
FUND BALANCE, ending			<u>\$ 2,743,660</u>	

SUPPLEMENTARY DATA SECTION

**KALKASKA COUNTY
COMBINING BALANCE SHEETS
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2006**

Special Revenue Funds

	Bullet Proof Vest Fund	911 Equipment Fund	Parks and Recreation	Log Lake Park	Police Corps	Child Passenger Safety	Friend Of the Court	Animal Control Donation	Extension Strong Family Safe Child
ASSETS									
Cash	\$ 3,719	\$ 50,819	\$ 1,434	\$ 6,753	\$ 2,585	\$ 3,448	\$ 16,597	\$ 34,838	\$ -
Accounts receivable	-	-	528	-	-	-	-	-	23,600
Due from other funds	-	-	-	-	-	-	-	-	-
Due from State	-	-	-	-	-	-	1,620	-	-
Due from other governmental units	-	-	-	-	-	-	149	-	-
Prepaid expenses	-	-	-	-	-	-	903	-	-
TOTAL ASSETS	<u>\$ 3,719</u>	<u>\$ 50,819</u>	<u>\$ 1,962</u>	<u>\$ 6,753</u>	<u>\$ 2,585</u>	<u>\$ 3,448</u>	<u>\$ 19,269</u>	<u>\$ 34,838</u>	<u>\$ 23,600</u>
LIABILITIES & FUND BALANCE									
Liabilities:									
Accounts payable	\$ -	\$ -	\$ 226	\$ 36	\$ -	\$ -	\$ 15,717	\$ -	\$ 7,152
Checks written in excess of deposits	-	-	-	-	-	-	-	-	15,954
Accrued expenses	-	-	-	-	-	-	346	-	-
Due to other governmental funds	-	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>226</u>	<u>36</u>	<u>-</u>	<u>-</u>	<u>16,063</u>	<u>-</u>	<u>23,106</u>
Fund Balance:									
Reserved	-	-	-	-	-	-	3,206	-	-
Unreserved	<u>3,719</u>	<u>50,819</u>	<u>1,736</u>	<u>6,717</u>	<u>2,585</u>	<u>3,448</u>	<u>-</u>	<u>34,838</u>	<u>494</u>
TOTAL FUND BALANCE	<u>3,719</u>	<u>50,819</u>	<u>1,736</u>	<u>6,717</u>	<u>2,585</u>	<u>3,448</u>	<u>3,206</u>	<u>34,838</u>	<u>494</u>
TOTAL LIABILITIES & FUND BALANCE	<u>\$ 3,719</u>	<u>\$ 50,819</u>	<u>\$ 1,962</u>	<u>\$ 6,753</u>	<u>\$ 2,585</u>	<u>\$ 3,448</u>	<u>\$ 19,269</u>	<u>\$ 34,838</u>	<u>\$ 23,600</u>

**KALKASKA COUNTY
COMBINING BALANCE SHEETS
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2006**

Special Revenue Funds									
	State Domestic Preparedness	Central Purchasing	Emergency Service Homeland Security	Elections	Vehicle Replacement Fund	Computer Fund	Courthouse Preservation	County Equipment	Sheriff Equipment Fund
<u>ASSETS</u>									
Cash	\$ -	\$ 2,094	\$ -	\$ -	\$ 63,330	\$ 51,474	\$ 37,862	\$ 52,791	\$ 205
Accounts receivable	3,647		-	-	256	-	-	4,589	-
Due from other funds	-	-	-	-	-	-	-	-	-
Due from State	-	-	-	-	-	-	-	-	-
Due from other governmental units	-	-	-	-	-	-	-	-	-
Prepaid expenses	-	5,026	-	-	-	-	-	-	-
 TOTAL ASSETS	 \$ 3,647	 \$ 7,120	 \$ -	 \$ -	 \$ 63,586	 \$ 51,474	 \$ 37,862	 \$ 57,380	 \$ 205
<u>LIABILITIES & FUND BALANCE</u>									
Liabilities:									
Accounts payable	\$ 370	\$ 46	\$ -	\$ -	\$ -	\$ -	\$ 66	\$ -	\$ -
Checks written in excess of deposits	670	-	-	-	-	-	-	-	-
Accrued expenses	-	-	-	-	-	-	-	-	-
Due to other governmental funds	-	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-	-	-
 TOTAL LIABILITIES	 1,040	 46	 -	 -	 -	 -	 66	 -	 -
Fund Balance:									
Reserved	-	-	-	-	-	-	-	-	-
Unreserved	2,607	7,074	-	-	63,586	51,474	37,796	57,380	205
 TOTAL FUND BALANCE	 2,607	 7,074	 -	 -	 63,586	 51,474	 37,796	 57,380	 205
 TOTAL LIABILITIES & FUND BALANCE	 \$ 3,647	 \$ 7,120	 \$ -	 \$ -	 \$ 63,586	 \$ 51,474	 \$ 37,862	 \$ 57,380	 \$ 205

**KALKASKA COUNTY
COMBINING BALANCE SHEETS
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2006**

Special Revenue Funds

	Building Inspection Fund	Office Furniture	Zoning Training	Copier Replacement/ Repair	Building Improvement	911 Central Dispatch	Tower Repair	Rod Equipment/ Technology	Budget Stabilization
<u>ASSETS</u>									
Cash	\$ 108,959	\$ 54,452	\$ 397	\$ 22,557	\$ 79,438	\$ 29,981	\$ 3,178	\$ 18,000	\$ 351,088
Accounts receivable	-	-	-	-	-	29,764	-	-	-
Due from other funds	-	-	-	-	-	-	-	-	-
Due from State	-	-	-	-	-	25,609	-	-	-
Due from other governmental units	-	-	-	-	-	-	-	-	-
Prepaid expenses	4,056	-	-	2,131	-	6,386	-	8,791	-
TOTAL ASSETS	\$ 113,015	\$ 54,452	\$ 397	\$ 24,688	\$ 79,438	\$ 91,740	\$ 3,178	\$ 26,791	\$ 351,088
<u>LIABILITIES & FUND BALANCE</u>									
Liabilities:									
Accounts payable	\$ 2,441	\$ -	\$ -	\$ -	\$ -	\$ 2,994	\$ -	\$ 2,418	\$ -
Checks written on excess of deposits	-	-	-	-	-	-	-	-	-
Accrued expenses	3,644	-	-	-	-	5,488	-	-	-
Due to other governmental funds	-	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	6,085	-	-	-	-	8,482	-	2,418	-
Fund Balance:									
Reserved	106,930	-	-	-	-	83,258	-	-	-
Unreserved	-	54,452	397	24,688	79,438	-	3,178	24,373	351,088
TOTAL FUND BALANCE	106,930	54,452	397	24,688	79,438	83,258	3,178	24,373	351,088
TOTAL LIABILITIES & FUND BALANCE	\$ 113,015	\$ 54,452	\$ 397	\$ 24,688	\$ 79,438	\$ 91,740	\$ 3,178	\$ 26,791	\$ 351,088

**KALKASKA COUNTY
COMBINING BALANCE SHEETS
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2006**

Special Revenue Funds

	Equipment - Heating & Cooling	Retiree Retirement	Family Nutrition	Recycling Fund	Corrections Officers Training Fund	Community Corrections Plan	Voice Verification	Animal Control	Law Library
<u>ASSETS</u>									
Cash	\$ 40,502	\$ 47,435	\$ 442	\$ 37,930	\$ 7,047	\$ -	\$ 38,930	\$ 3,083	\$ 7,549
Accounts receivable	-	-	939	4,246	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-	-
Due from State	-	-	-	-	-	-	-	-	-
Due from other governmental units	-	-	-	-	-	14,385	-	-	-
Prepaid expenses	-	3,070	140	995	-	-	-	846	-
	<u>-</u>	<u>3,070</u>	<u>140</u>	<u>995</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>846</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 40,502</u>	<u>\$ 50,505</u>	<u>\$ 1,521</u>	<u>\$ 43,171</u>	<u>\$ 7,047</u>	<u>\$ 14,385</u>	<u>\$ 38,930</u>	<u>\$ 3,929</u>	<u>\$ 7,549</u>
<u>LIABILITIES & FUND BALANCE</u>									
Liabilities:									
Accounts payable	\$ -	\$ -	\$ 23	\$ 1,076	\$ -	\$ -	\$ -	\$ 1,445	\$ 489
Checks written in excess of deposits	-	-	-	-	-	1,807	-	-	-
Accrued expenses	-	-	65	774	-	-	-	949	-
Due to other governmental funds	-	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>88</u>	<u>1,850</u>	<u>-</u>	<u>1,807</u>	<u>-</u>	<u>2,394</u>	<u>489</u>
Fund Balance:									
Reserved	-	-	-	-	-	-	-	-	-
Unreserved	40,502	50,505	1,433	41,321	7,047	12,578	38,930	1,535	7,060
	<u>40,502</u>	<u>50,505</u>	<u>1,433</u>	<u>41,321</u>	<u>7,047</u>	<u>12,578</u>	<u>38,930</u>	<u>1,535</u>	<u>7,060</u>
TOTAL FUND BALANCE	<u>40,502</u>	<u>50,505</u>	<u>1,433</u>	<u>41,321</u>	<u>7,047</u>	<u>12,578</u>	<u>38,930</u>	<u>1,535</u>	<u>7,060</u>
TOTAL LIABILITIES & FUND BALANCE	<u>\$ 40,502</u>	<u>\$ 50,505</u>	<u>\$ 1,521</u>	<u>\$ 43,171</u>	<u>\$ 7,047</u>	<u>\$ 14,385</u>	<u>\$ 38,930</u>	<u>\$ 3,929</u>	<u>\$ 7,549</u>

**KALKASKA COUNTY
COMBINING BALANCE SHEETS
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2006**

Special Revenue Funds									
	County Library	Inmate Programs & Services	PBT Fund	Court Technology	RX Fund	Police Hiring Supplement	Family Independence Agency/FIA - Antrim	Child Care Fund	Veterans Relief
<u>ASSETS</u>									
Cash	\$ 150,917	\$ 15,215	\$ 24,519	\$ 760	\$ 2,000	\$ -	\$ 54,396	\$ 6,953	\$ 2,256
Accounts receivable	171,889	2,153	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-	-
Due from State	-	-	-	-	-	-	7,092	20,563	-
Due from other governmental units	-	-	-	-	-	12,387	-	84	-
Prepaid expenses	1,435	-	-	-	-	1,392	-	1,280	-
TOTAL ASSETS	\$ 324,241	\$ 17,368	\$ 24,519	\$ 760	\$ 2,000	\$ 13,779	\$ 61,488	\$ 28,880	\$ 2,256
<u>LIABILITIES & FUND BALANCE</u>									
Liabilities:									
Accounts payable	\$ 4,096	\$ -	\$ -	\$ -	\$ -	\$ 724	\$ -	\$ 11,799	\$ -
Checks written in excess of deposits	-	-	-	-	-	10,557	-	-	-
Accrued expenses	2,506	-	-	-	-	1,229	-	1,393	-
Due to other governmental funds	-	-	-	-	-	-	33,000	-	-
Deferred revenue	169,217	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	175,819	-	-	-	-	12,510	33,000	13,192	-
Fund Balance:									
Reserved	148,422	-	-	-	-	-	-	-	-
Unreserved	-	17,368	24,519	760	2,000	1,269	28,488	15,688	2,256
TOTAL FUND BALANCE	148,422	17,368	24,519	760	2,000	1,269	28,488	15,688	2,256
TOTAL LIABILITIES & FUND BALANCE	\$ 324,241	\$ 17,368	\$ 24,519	\$ 760	\$ 2,000	\$ 13,779	\$ 61,488	\$ 28,880	\$ 2,256

**KALKASKA COUNTY
COMBINING BALANCE SHEETS
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2006**

	Special Revenue Funds			Capital Project Funds				
	Veterans Trust	Commission On Aging	Total	County Building Fund	County Library Building Fund	County Building Authority	Total	Total Nonmajor Funds
<u>ASSETS</u>								
Cash	\$ 755	\$ 56,991	\$ 1,493,679	\$ 20,762	\$ 128,230	\$ 4,261	\$ 153,253	\$ 1,646,932
Accounts receivable	-	162,144	403,755	-	307	-	307	404,062
Due from other funds	-	-	-	-	-	-	-	-
Due from State	-	7,092	61,976	-	-	-	-	61,976
Due from other governmental units	-	-	27,005	-	-	-	-	27,005
Prepaid expenses	-	-	36,451	-	-	-	-	36,451
 TOTAL ASSETS	 <u>\$ 755</u>	 <u>\$ 226,227</u>	 <u>\$ 2,022,866</u>	 <u>\$ 20,762</u>	 <u>\$ 128,537</u>	 <u>\$ 4,261</u>	 <u>\$ 153,560</u>	 <u>\$ 2,176,426</u>
 <u>LIABILITIES & FUND BALANCE</u>								
Liabilities:								
Accounts payable	\$ -	\$ -	\$ 51,118	\$ -	\$ -	\$ -	\$ -	\$ 51,118
Checks written in excess of deposits	-	-	28,988	-	-	-	-	28,988
Accrued expenses	-	-	16,394	-	-	-	-	16,394
Due to other funds	-	-	-	202,500	-	-	202,500	202,500
Due to other governmental funds	-	-	33,000	-	-	-	-	33,000
Deferred revenue	-	162,144	331,361	-	-	-	-	331,361
 TOTAL LIABILITIES	 <u>-</u>	 <u>162,144</u>	 <u>460,861</u>	 <u>202,500</u>	 <u>-</u>	 <u>-</u>	 <u>202,500</u>	 <u>663,361</u>
Fund Balance:								
Reserved	-	-	341,816	-	-	-	-	341,816
Unreserved	<u>755</u>	<u>64,083</u>	<u>1,220,189</u>	<u>(181,738)</u>	<u>128,537</u>	<u>4,261</u>	<u>(48,940)</u>	<u>1,171,249</u>
 TOTAL FUND BALANCE	 <u>755</u>	 <u>64,083</u>	 <u>1,562,005</u>	 <u>(181,738)</u>	 <u>128,537</u>	 <u>4,261</u>	 <u>(48,940)</u>	 <u>1,513,065</u>
 TOTAL LIABILITIES & FUND BALANCE	 <u>\$ 755</u>	 <u>\$ 226,227</u>	 <u>\$ 2,022,866</u>	 <u>\$ 20,762</u>	 <u>\$ 128,537</u>	 <u>\$ 4,261</u>	 <u>\$ 153,560</u>	 <u>\$ 2,176,426</u>

KALKASKA COUNTY
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

Special Revenue Funds

	Bullet Proof Vest Fund	911 Equipment Fund	Parks and Recreation	Log Lake Park	Police Corps	Child Passenger Safety	Friend Of the Court	Animal Control Donation	Extension Strong Family Safe Child
REVENUES:									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
License and permits	-	-	-	-	-	-	-	-	-
Federal grants	-	-	-	-	-	-	-	-	-
State grants	-	-	-	-	-	-	-	-	88,376
Other governmental revenue	-	-	-	-	-	-	5,995	-	-
Charges for services	-	-	15,618	345	-	-	1,620	-	-
Fines & forfeits	-	-	-	-	-	-	-	-	-
Interest & rents	-	-	7,518	21,516	-	-	-	-	-
Other	-	-	-	-	-	-	-	3,626	-
TOTAL REVENUES	-	-	23,136	21,861	-	-	7,615	3,626	88,376
EXPENDITURES:									
Judicial	-	-	-	-	-	-	22,479	-	-
General government	-	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-	91,501
Health & welfare	-	-	-	-	-	-	-	-	-
Recreational & cultural	-	-	38,591	24,036	-	-	-	-	-
TOTAL EXPENDITURES	-	-	38,591	24,036	-	-	22,479	-	91,501
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	(15,455)	(2,175)	-	-	(14,864)	3,626	(3,125)
OTHER FINANCING SOURCES (USES):									
Operating transfers in	-	-	17,190	-	-	-	17,165	-	-
Operating transfers (out)	-	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES	-	-	17,190	-	-	-	17,165	-	-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	-	-	1,735	(2,175)	-	-	2,301	3,626	(3,125)
FUND BALANCE, beginning	<u>3,719</u>	<u>50,819</u>	<u>1</u>	<u>8,892</u>	<u>2,585</u>	<u>3,448</u>	<u>905</u>	<u>31,212</u>	<u>3,619</u>
FUND BALANCE, ending	<u>\$ 3,719</u>	<u>\$ 50,819</u>	<u>\$ 1,736</u>	<u>\$ 6,717</u>	<u>\$ 2,585</u>	<u>\$ 3,448</u>	<u>\$ 3,206</u>	<u>\$ 34,838</u>	<u>\$ 494</u>

KALKASKA COUNTY
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

Special Revenue Funds

	State Domestic Preparedness	Central Purchasing	Emergency Service Homeland Security	Elections	Vehicle Replacement Fund	Computer Fund	Courthouse Preservation	County Equipment	Sheriff Equipment Fund
REVENUES:									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
License and permits	-	-	-	-	-	-	-	-	-
Federal grants	25,777	-	-	-	-	-	-	-	-
State grants	-	-	-	-	-	-	-	-	-
Other governmental revenue	-	-	-	-	-	-	-	-	-
Charges for services	-	15,308	-	-	-	-	-	-	-
Fines & forfeits	-	-	-	-	-	-	46,639	-	-
Interest & rents	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	1,178	-	-	4,589	205
TOTAL REVENUES	25,777	15,308	-	-	1,178	-	46,639	4,589	205
EXPENDITURES:									
Judicial	-	-	-	-	-	-	6,108	-	-
General government	-	13,735	-	-	-	-	-	14,366	-
Public safety	25,777	-	-	-	-	-	-	-	-
Health & welfare	-	-	-	-	-	-	-	-	-
Recreational & cultural	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	25,777	13,735	-	-	-	-	6,108	14,366	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	1,573	-	-	1,178	-	40,531	(9,777)	205
OTHER FINANCING SOURCES (USES):									
Operating transfers in	-	-	-	-	10,000	15,000	-	15,000	-
Operating transfers (out)	-	-	-	(18,000)	-	-	(2,736)	-	-
TOTAL OTHER FINANCING SOURCES	-	-	-	(18,000)	10,000	15,000	(2,736)	15,000	-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	-	1,573	-	(18,000)	11,178	15,000	37,795	5,223	205
FUND BALANCE, beginning	2,607	5,501	-	18,000	52,408	36,474	1	52,157	-
FUND BALANCE, ending	<u>\$ 2,607</u>	<u>\$ 7,074</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 63,586</u>	<u>\$ 51,474</u>	<u>\$ 37,796</u>	<u>\$ 57,380</u>	<u>\$ 205</u>

KALKASKA COUNTY
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

Special Revenue Funds

	Building Inspection Fund	Office Furniture	Zoning Training	Copier Replacement/ Repair	Building Improvement	911 Central Dispatch	Tower Repair	Rod Equipment/ Technology	Budget Stabilization
REVENUES:									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
License and permits	329,589	-	-	-	-	-	-	-	-
Federal grants	-	-	-	-	-	-	-	-	-
State grants	-	-	-	-	-	106,657	-	-	-
Other governmental revenue	-	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	416,039	-	-	-
Fines & forfeits	-	-	-	-	-	-	-	-	-
Interest & rents	-	-	-	-	19,889	301	-	-	-
Other	-	-	-	-	-	-	-	31,376	-
TOTAL REVENUES	329,589	-	-	-	19,889	522,997	-	31,376	-
EXPENDITURES:									
Judicial	-	-	-	-	-	-	-	-	-
General government	-	4,068	-	4,581	2,425	-	-	25,665	-
Public safety	318,426	-	-	-	-	417,788	-	-	-
Health & welfare	-	-	-	-	-	-	-	-	-
Recreational & cultural	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	318,426	4,068	-	4,581	2,425	417,788	-	25,665	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	11,163	(4,068)	-	(4,581)	17,464	105,209	-	5,711	-
OTHER FINANCING SOURCES (USES):									
Operating transfers in	-	10,000	-	15,000	2,736	-	-	-	-
Operating transfers (out)	-	-	-	-	-	(89,475)	-	-	-
TOTAL OTHER FINANCING SOURCES	-	10,000	-	15,000	2,736	(89,475)	-	-	-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	11,163	5,932	-	10,419	20,200	15,734	-	5,711	-
FUND BALANCE, beginning	95,767	48,520	397	14,269	59,238	67,524	3,178	18,662	351,088
FUND BALANCE, ending	\$ 106,930	\$ 54,452	\$ 397	\$ 24,688	\$ 79,438	\$ 83,258	\$ 3,178	\$ 24,373	\$ 351,088

KALKASKA COUNTY
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

Special Revenue Funds

	Equipment - Heating & Cooling	Retiree Retirement	Family Nutrition	Recycling Fund	Corrections Officers Training Fund	Community Corrections Plan	Voice Verification	Animal Control	Law Library
REVENUES:									
Taxes	\$ -	\$ -	\$ -	\$ 67,834	\$ -	\$ -	\$ -	\$ 91,029	\$ -
License and permits	-	-	-	-	-	-	-	-	-
Federal grants	-	-	-	-	-	-	-	-	-
State grants	-	-	-	-	-	33,835	-	-	-
Other governmental revenue	-	-	5,982	-	-	-	-	-	-
Charges for services	-	-	-	27,439	4,201	-	14,853	14,425	-
Fines & forfeits	-	-	-	-	-	-	-	-	2,500
Interest & rents	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
TOTAL REVENUES	-	-	5,982	95,273	4,201	33,835	14,853	105,454	2,500
EXPENDITURES:									
Judicial	-	-	-	-	-	-	-	-	9,270
General government	-	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	3,032	-	3,655	103,919	-
Health & welfare	-	25,054	5,309	73,690	-	-	-	-	-
Recreational & cultural	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	-	25,054	5,309	73,690	3,032	-	3,655	103,919	9,270
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(25,054)	673	21,583	1,169	33,835	11,198	1,535	(6,770)
OTHER FINANCING SOURCES (USES):									
Operating transfers in	10,000	35,000	-	-	-	-	-	-	7,000
Operating transfers (out)	-	-	-	-	-	(32,798)	(18,000)	-	-
TOTAL OTHER FINANCING SOURCES	10,000	35,000	-	-	-	(32,798)	(18,000)	-	7,000
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	10,000	9,946	673	21,583	1,169	1,037	(6,802)	1,535	230
FUND BALANCE, beginning	30,502	40,559	760	19,738	5,878	11,541	45,732	-	6,830
FUND BALANCE, ending	<u>\$ 40,502</u>	<u>\$ 50,505</u>	<u>\$ 1,433</u>	<u>\$ 41,321</u>	<u>\$ 7,047</u>	<u>\$ 12,578</u>	<u>\$ 38,930</u>	<u>\$ 1,535</u>	<u>\$ 7,060</u>

KALKASKA COUNTY
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

Special Revenue Funds

	County Library	Inmate Programs & Services	PBT Fund	Court Technology	RX Fund	Police Hiring Supplement	Family Independence Agency/FIA - Antrim	Child Care Fund	Veterans Relief
REVENUES:									
Taxes	\$ 158,862	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
License and permits	-	-	-	-	-	-	-	-	-
Federal grants	-	-	-	-	-	-	-	6,845	-
State grants	15,464	-	-	-	-	-	254,977	182,944	-
Other governmental revenue	-	-	-	-	-	85,641	-	15,000	-
Charges for services	8,350	21,929	9,035	-	-	-	-	-	-
Fines & forfeits	123,900	-	-	-	-	-	-	-	-
Interest & rents	6,362	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	20
TOTAL REVENUES	312,938	21,929	9,035	-	-	85,641	254,977	204,789	20
EXPENDITURES:									
Judicial	-	-	-	916	-	-	-	-	-
General government	-	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	90,372	-	-	-
Health & welfare	-	1,429	-	-	-	-	267,058	345,184	1,496
Recreational & cultural	277,062	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	277,062	1,429	-	916	-	90,372	267,058	345,184	1,496
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	35,876	20,500	9,035	(916)	-	(4,731)	(12,081)	(140,395)	(1,476)
OTHER FINANCING SOURCES (USES):									
Operating transfers in	-	-	-	-	-	6,000	-	155,000	2,000
Operating transfers (out)	(37,420)	(5,000)	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES	(37,420)	(5,000)	-	-	-	6,000	-	155,000	2,000
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(1,544)	15,500	9,035	(916)	-	1,269	(12,081)	14,605	524
FUND BALANCE, beginning	149,966	1,868	15,484	1,676	2,000	-	40,569	1,083	1,732
FUND BALANCE, ending	<u>\$ 148,422</u>	<u>\$ 17,368</u>	<u>\$ 24,519</u>	<u>\$ 760</u>	<u>\$ 2,000</u>	<u>\$ 1,269</u>	<u>\$ 28,488</u>	<u>\$ 15,688</u>	<u>\$ 2,256</u>

KALKASKA COUNTY
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	Special Revenue Funds			Capital Projects Funds				Total Nonmajor Funds
	Veterans Trust	Commission On Aging	Total	County Building Fund	County Library Building Fund	County Building Authority	Total	
REVENUES:								
Taxes	\$ -	\$ 159,104	\$ 476,829	\$ -	\$ -	\$ -	\$ -	\$ 476,829
License and permits	-	-	329,589	-	-	-	-	329,589
Federal grants	-	129,915	162,537	-	-	-	-	162,537
State grants	-	49,500	731,753	-	-	-	-	731,753
Other governmental revenue	7,685	-	120,303	-	-	-	-	120,303
Charges for services	-	172,533	721,695	-	-	-	-	721,695
Fines & forfeits	-	-	173,039	-	-	-	-	173,039
Interest & rents	-	-	55,586	-	3,282	36	3,318	58,904
Other	-	-	40,994	44,774	-	-	44,774	85,768
TOTAL REVENUES	7,685	511,052	2,812,325	44,774	3,282	36	48,092	2,860,417
EXPENDITURES:								
Judicial	-	-	38,773	-	-	-	-	38,773
General government	-	-	64,840	15,750	-	-	15,750	80,590
Public safety	-	-	1,054,470	-	-	-	-	1,054,470
Health & welfare	8,013	515,967	1,243,200	-	-	-	-	1,243,200
Recreational & cultural	-	-	339,689	-	8,766	-	8,766	348,455
TOTAL EXPENDITURES	8,013	515,967	2,740,972	15,750	8,766	-	24,516	2,765,488
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(328)	(4,915)	71,353	29,024	(5,484)	36	23,576	94,929
OTHER FINANCING SOURCES (USES):								
Operating transfers in	-	-	317,091	-	37,420	-	37,420	354,511
Operating transfers (out)	-	-	(203,429)	-	-	-	-	(203,429)
TOTAL OTHER FINANCING SOURCES	-	-	113,662	-	37,420	-	37,420	151,082
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(328)	(4,915)	185,015	29,024	31,936	36	60,996	246,011
FUND BALANCE, beginning	1,083	68,998	1,376,990	(210,762)	96,601	4,225	(109,936)	1,267,054
FUND BALANCE, ending	\$ 755	\$ 64,083	\$ 1,562,005	\$ (181,738)	\$ 128,537	\$ 4,261	\$ (48,940)	\$ 1,513,065



June 29, 2007

Honorable Chairman and Members
Of the Board of Commissioners
Kalkaska County
Kalkaska, MI

In planning and performing our audit of the primary governments financial statements of Kalkaska County for the year ended December 31, 2006, in accordance with auditing standards generally accepted in the United States of America, we considered Kalkaska County's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions in the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Governmental Unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the Governmental Unit's internal control.

Our consideration of internal controls was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

During our audit, we noted the following control deficiencies that we do not consider to be a significant deficiency.

Housing Program loans

During our review of the loan program in the Housing fund, we noted that certain loans that required a monthly payment have been deficient in making monthly payments. The County does have a recorded deed on the loan thereby securing its interest in the property, but the County needs to strengthen its collection procedures on loans requiring monthly payments. When payments are received, these funds help to fund other Housing Fund programs in the Community.

This report is intended solely for the information and use of the Board of Commissioners, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Certified Public Accountants